

Message Text

LIMITED OFFICIAL USE

PAGE 01 MEXICO 21224 01 OF 02 220053Z

ACTION ARA-14

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
SS-15 STR-05 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03
INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01
DODE-00 PM-05 H-01 L-03 PA-01 PRS-01 AGRE-00
OES-07 HEW-04 DOE-12 SOE-01 /118 W
-----120509 220118Z /63

R 212358Z DEC 77

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 7171

INFO TREASURY WASHDC

LIMITED OFFICIAL USE SECTION 01 OF 02 MEXICO 21224

E.O. 11652: N/A

TAGS: EFIN, MX

SUBJECT: ECONOMIC POLICY AS OUTLINED IN THE 1978 BUDGET
MESSAGES

REF: A) MEXICO 20995, B) MEXICO 21088

1. SUMMARY: THIS YEAR'S BUDGET MESSAGE WAS MORE INTEREST-
ING FOR THE INFORMATION IT PROVIDED ON GOM ECONOMIC POLICY
- A FIRST - THAN ON THE BUDGET ITSELF WHICH MUST ALWAYS BE
TAKEN WITH A GRAIN OF SALT. ECONOMIC POLICY OBJECTIVES
IN 1978 APPEAR TO BE TO INCREASE INVESTMENT SPENDING AND
CONTAIN INFLATIONARY PRESSURES AT THE PRESENT LEVEL.
LONGER TERM OBJECTIVES WERE VERY SKETCHY.

2. THE GOM HAS A TRADITION OF SECRETIVENESS REGARDING
ECONOMIC POLICY AND FORECASTS. THIS TRADITION APPEARS TO
BE DYING UNDER THE LOPEZ PORTILLO ADMINISTRATION AND OUT-
SIDE PRESSURES. THE 1978 BUDGET PRESENTATION INCLUDED
SOME FAIRLY SPECIFIC ECONOMIC POLICY OBJECTIVES FOR THE
FIRST TIME, INCLUDING SOME FOR THE FIVE YEARS 1978-82.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MEXICO 21224 01 OF 02 220053Z

3. GROSS DOMESTIC PRODUCT IS EXPECTED TO GROW 2.6 PERCENT
FROM 1976 TO 1977 AND 5 PERCENT FROM 1977 TO 1978. THE
LATTER FIGURE IS MORE OF A TARGET THAN A FORECAST. CON-
VERSATIONS WITH GOM OFFICIALS INDICATE THEY WOULD BE
CONTENT WITH A FOUR PERCENT GROWTH RATE.

4. INFLATION IS PROJECTED AT 12-15 PERCENT OVER THE

COURSE OF 1978, COMPARED TO 21 PERCENT THIS YEAR. THESE FIGURES APPLY TO THE CONSUMER PRICE INDEX. THE FORECAST FOR 1978 ASSUMES NO SIGNIFICANT CHANGE IN THE CURRENT RATE OF INFLATION. APPARENTLY, THEY BELIEVE THAT WITH THE NEED TO INCREASE VARIOUS PRICES TO REDUCE DISTORTIONS THAT HAVE DEVELOPED IN RECENT YEARS IN BOTH THE PUBLIC AND PRIVATE SECTOR, A LOWER RATE OF INFLATION IS IMPOSSIBLE. WAGES ARE ALSO A FACTOR. THE NEW MINIMUM WAGE HAS TO BE FIXED BY JANUARY 1. THE AVERAGE INCREASE IS UNLIKELY TO BE LESS THAN 10 PERCENT.

5. MONETARY POLICY IS LIKELY TO BE LOOSENED SOMEWHAT IN 1978, THOUGH THE GOVERNMENT MAINTAINS IT SHOULD NOT REQUIRE DIRECT ACCESS TO CENTRAL BANK CREDIT. VERY LIKELY THE EXPANSIONARY FORCES WILL BE RESERVE INCREASES WHICH COULD COME FROM CAPITAL REFLOWS AND/OR PUBLIC SECTOR EXTERNAL BORROWING AND CREDIT TO THE PRIVATE SECTOR. INTEREST RATE DIFFERENTIALS VIS-A-VIS THOSE ABROAD WILL BE MAINTAINED IN ORDER TO MAKE PESO TIME DEPOSITS ATTRACTIVE.

6. THE BALANCE OF PAYMENTS CURRENT ACCOUNT DEFICIT FOR 1977 WAS ESTIMATED AT \$1.6 BILLION. NO FORECAST WAS MADE FOR 1978, PERHAPS BECAUSE AN INCREASE IS LIKELY.

7. REGARDING THE EXCHANGE RATE, THERE WERE SEVERAL STATEMENTS INDICATING THAT NO SIGNIFICANT CHANGE IS LIKELY. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MEXICO 21224 01 OF 02 220053Z

IBARRA TALKED ABOUT "STRENGTHENING THE CONSOLIDATION OF THE EXCHANGE MARKET," AND AT ANOTHER POINT, "NORMALIZING" THE EXCHANGE MARKET. THE BUDGET WAS BASED ON NO CHANGE IN THE RATE.

8. JOB CREATION WAS MENTIONED AS A KEY OBJECTIVE. IBARRA NOTED THAT PUBLIC WORKS SPENDING, THE PEMEX AND AGRICULTURAL PROGRAMS WOULD BOOST EMPLOYMENT.

9. WHILE THE FINANCE SECRETARY'S REMARKS ON ECONOMIC POLICY FOCUSED ON THE SHORT TERM, BUDGET AND PROGRAMMING SECRETARY GARCIA SAINZ COMMENTED AT SOME LENGTH ON OBJECTIVES FOR THE FIVE YEAR PERIOD, 1978-82. HIS SPEECH ALSO HAD A BRIEF AND UNILLUMINATING SECTION ENTITLED "DEVELOPMENT STRATEGY," IN WHICH HE SAID, IN ESSENCE, THAT ALL SECTORS OF THE COUNTRY MUST PARTICIPATE AND COOPERATE WITH THE STATE PLAYING THE ROLE OF MANAGER.

10. THE OVERALL GROWTH OBJECTIVE FOR PERIOD 1978-82 WAS GIVEN AS 6 TO 7 PERCENT PER YEAR. THIS IS THE AVERAGE GROWTH RATE IN THE POST-WAR PERIOD AND SEEMS TO HAVE NO OTHER BASIS AS A PROJECTION. LEADING SECTORS ARE TO BE

AGRICULTURE, FISHING, PETROLEUM AND BASIC PETROCHEMICALS, ELECTRICITY AND CAPITAL GOODS. NOTABLY MISSING ARE MANUFACTURERS WHICH LED THE GROWTH IN THE LAST 30 YEARS. INVESTMENT IS TO BE HIGHER THAN THE CURRENT (UNKNOWN) LEVEL AND PUBLIC INVESTMENT WILL GROW AT THE SAME RATE AS TOTAL INVESTMENT. GROWTH IN THE AGRICULTURAL SECTOR IS DEEMED IMPORTANT IN PART BECAUSE OF THE NEED FOR JOB CREATION. SMALL SCALE PUBLIC WORKS WILL BE ENCOURAGED FOR THIS REASON AS WITH SMALL AND MEDIUM-SIZED INDUSTRIES. THE LACK OF AN ADWANTE CAPITAL GOODS INDUSTRY IS CITED AS A BOTTLENECK TO JOB CREATION AND DEVELOPMENT.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 MEXICO 21224 02 OF 02 220055Z
ACTION ARA-14

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
SS-15 STR-05 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03
INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01
DODE-00 PM-05 H-01 L-03 PA-01 PRS-01 AGRE-00
OES-07 HEW-04 DOE-12 SOE-01 /118 W
-----120522 220119Z /63

R 222358Z DEC 77
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 7172
INFO TREASURY WASHDC

LIMITED OFFICIAL USE SECTION 02 OF 02 MEXICO 21224

11. AMONG THE SPECIFIC TARGETS FOR THE PERIOD 1978-82,
THE FOLLOWING WERE CITED:

A) AGRICULTURE: 5.3 PERCENT ANNUAL INCREASE IN CORN,
5.7 PERCENT ANNUAL INCREASE IN BEANS AND WHEAT. THE GOVERN-
MENT WILL ASSIST THROUGH TECHNICAL SERVICES, ORGANIZATION
OF EJIDATARIOS AND SMALL LANDOWNERS, AND IRRIGATION WORKS.

B) INDUSTRY:

1) PETROLEUM: CRUDE EXPORTS WILL INCREASE 45
PERCENT ANNUALLY AND DOMESTIC PRODUCTION OF CRUDE WILL
INCREASE 16.4 PERCENT ANNUALLY.

2) OTHER: ELECTRICITY GENERATION WILL INCREASE
ABOUT 10 PERCENT ANNUALLY, STEEL OUTPUT WILL INCREASE AT

A SIMILAR RATE AND FERTILIZER OUTPUT WILL GROW 14 PERCENT
A YEAR.

C) COMMERCE: THE MARGINS OBTAINED BY MIDDLEMEN FOR
FOOD PRODUCTS WILL BE REDUCED AND RECEIPTS FROM FRONTIER
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MEXICO 21224 02 OF 02 220055Z

TRANSACTIONS WILL INCREASE.

D) TOURISM: INCREASE FOREIGN TOURISM 12.5 PERCENT A
YEAR; INCREASE EMPLOYMENT IN THIS SECTOR 8.5 PERCENT A
YEAR.

12. THIS PART OF GARCIA SAINZ'S PRESENTATION READ AS
THOUGH EACH MINISTRY HAD SUBMITTED IDEAS, BUT THERE HAD
BEEN LITTLE COORDINATION OF THESE. THIS MAY REFLECT HIS
OWN SHORT TIME IN OFFICE. LUCEY

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUDGETS, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 21-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977MEXICO21224
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770476-0892
Format: TEL
From: MEXICO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771232/aaaabakf.tel
Line Count: 191
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1d2b16ff-c188-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 MEXICO 20995, 77 MEXICO 21088
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 159893
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC POLICY AS OUTLINED IN THE 1978 BUDGET MESSAGES
TAGS: EFIN, MX
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/1d2b16ff-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009